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OLDER WORKERS ARE GOOD INVESTMENTS:

A CASE STUDY OF DAYS INNS OF AMERICA'S RESERVATION CENTER

THE COMMONWEALTH FUND

Americans Over 55 at Work Program

0013010

The Days Inns Reservation Center

- **Days Inns of America is the nation's third largest hotel chain with over 1,000 hotels and inns internationally**
- **A major reason to franchise with Days Inns is access to its nationwide reservation system**
- **The reservation center operates a sophisticated, 24-hour per day telecommunications system capable of handling nearly any customer inquiry**
- **Days Inns operates two reservation centers:**
  - -- **Original center set up in Atlanta at national headquarters**
  - -- **Second center established in Knoxville in 1989**
  - -- **Combined, the centers handle 23,500 calls per day**

The Use of Older Workers in the Days Inns Reservation Center

- **In 1986, Days Inns began a program of hiring older workers (defined as those 50 and over) in its Atlanta center**

- **Days Inns initiated this program because:**

  -- **It was having difficulty recruiting sufficient numbers of younger workers**
  -- **Younger worker wages were rising rapidly**
  -- **It could not retain younger workers -- turnover was nearly 100%**

- **Currently, Days Inns employs:**

  -- **48 older workers at its Atlanta center -- 26% of total workforce**
  -- **49 older workers at its Knoxville center -- 10% of total workforce**

Keys to Operating a Successful Reservation Center

- **Handle all calls that are made to the center**
  - -- **Recruit a flexible workforce**
  - -- **Recruit a dependable workforce**
- **Book reservations from as many calls as possible**
  - -- **Keep booking rates as high as possible**
- **Keep costs as low as possible**
  - -- **Control labor costs**
  - -- **Keep talk time per call low**

Demographic Makeup of Atlanta Reservation Center, 1990

Younger Workers (Age 49 and Under)	Percent in Age Group
Under 20	9%
20-29	35%
30-39	19%
40-49	11%
Subtotal	74%
Older Workers (Age 50 and Over)	**Percent in Age Group**
50-59	8%
60-69	16%
Over 70	2%
Subtotal	26%

Source: Days Inns of America.

Advantages of Hiring Older Workers

- **Turnover is dramatically lower: 87% of older workers stay on the job 1 year or more versus 30% for younger workers**
- **They can be trained as quickly as younger workers**
- **Absence rates are much lower: 1.4% for older workers versus 3.7% for younger workers**
- **Because they stay on the job longer, the recruiting and training costs of older workers are almost three times lower: $618 compared to $1,742**
- **They are better salespeople: older workers book a room 40.5% of the time versus 40.1% for younger workers**

For Many Job Criteria Older and Younger Workers are Similar

	Younger Workers	Older Workers
Average Age	29 Years	63 Years
Training Time	2 Weeks	2 Weeks
Entry Wage	$4.48	$4.23
Wage After 4 Years Service	$7.12	$7.33
Average Wage	$5.20	$5.47
Percent Part-Time	29%	33%
Percent Female	65%	62%
Health Insurance Costs[a]	$1,552	$1,463

[a] Per participating worker

Source: Days Inns of America. Data for 1989 and 1990.

Older Workers are More Dependable

Percent of Days	Older Workers	Younger Workers
Tardy	7.2%	7.6%
Absent	1.4%	3.7%

Source: Days Inns of America. Data for 1989.

Older Workers Stay on the Job Much Longer

Percent Remaining After:	Older Workers	Younger Workers	Difference (in percentage points)
Six Months	89%	41%	48%
One Year	87%	30%	57%
Two Years	72%	20%	52%
Three Years	53%	10%	43%
Four Years	32%	6%	26%
Average Length of Employment (in years)	3.0	1.0	2.0

Source: Days Inns of America. Data represent experience of workers during years 1987-1990.

Annual Cost of Recruiting and Training Older Workers Less than for Younger Workers

	Older Workers	Younger Workers
Training Costs	$584	$1,646
Recruiting Costs	$ 34	$ 96
Total	$618	$1,742

NOTE: Costs per hire annualized over average length of working career.

Source: ICF analysis of Days Inns of America data for period 1987-1990.

Older Workers are Better Salespeople

Percent of Callers Making a Reservation	Older Workers	Younger Workers	Percentage Difference
First Six Months of Employment	43.0%	38.1%	11.4%
Second Six Months	41.6%	38.2%	8.2%
Second Year	39.1%	40.9%	-4.6%
Third Year	41.2%	42.9%	-4.1%
Fourth Year	39.7%	42.8%	-7.8%
Average	40.5%	40.1%	1.0%

Source: Days Inns of America. Data are for 1990.

Older Workers Take Longer to Handle a Call

Talk Time Per Call (in seconds)	Older Workers	Younger Workers	Difference
First Six Months of Employment	318	193	125
Second Six Months	246	178	68
Second Year	199	163	36
Third Year	202	162	40
Fourth Year	177	169	8
Average	221	175	46

Source: Days Inns of America. Data are for 1990.

Determining Whether Older Workers Are Good Investments

- **Using data based on Days Inns' actual experience, operations of two hypothetical centers analyzed:**
  - **One staffed only with workers under 50**
  - **One staffed only with workers 50 and over**
- **Each assumed to handle 9,000 calls per day**
- **Each center assumed to pay market wages to their workers -- wages in "younger worker" center higher due to tighter labor market for younger workers**
- **Centers compared on the basis of:**
  - **Productivity**
  - **Costs**
  - **Net costs**

Comparisons of the Operations of Two Hypothetical Reservation Centers

	Older Workers	Younger Workers	Difference
Calls Taken	9,000	9,000	0
Reservations Achieved	3,646	3,606	72
Seconds Per Call	221	175	[illegible]
Workers	116	91	25

Source: ICF analysis of Days Inns of America data for period 1987-1990.

Higher Revenue Generated by Older Workers Would Offset Additional Costs (in thousands of dollars)

	Center Staffed Entirely With:	
	Younger Workers	Older Workers
Total Costs	$1,400	$1,785
Additional Revenue Because Older Workers Make More Sales	--	$349
Net Costs	$1,400	$1,436

Source: ICF analysis of Days Inns of America data for period 1987-1990.

Summary of Findings

- **Older workers can effectively operate demanding software at computer terminals**
- **Older workers can be trained in the same time as younger workers**
- **Worker turnover dramatically reduced by hiring older workers**
- **Cost of "older worker" center same as "younger worker" center**
- **These findings verify Days Inns management's belief that older workers solved the turnover problem and provide a supply of competent, willing workers**